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MANAGEMENT AUDIT REPORT

of

DEPARTMENT OF PENSIONS

Piper, C. Erwin
[LA. Dept. of pensions]
Pensions Civil LA
Disability insur. "

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by

C. Erwin Piper
City Administrative Officer

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INTRODUCTION

As of June 30, 1974, membership in the pension system was 10,223, including 2,915 firemen and 7,308 police officers.

In addition, service, widow, dependent, and disability pension benefits are paid to 6,973 individuals.

Assets, valued at cost, were \$329 million. The Department's portfolio consisted of fixed income securities (63%) and stocks (37%). Market value of the portfolio decreased by 11% due to economic conditions. Rate of return for 1974 was 5.58 percent.

The Department is under the exclusive control of a seven member Board, five appointed by the Mayor and confirmed by the Council, and two elected by members of the uniform departments.

Expert investment and actuarial advice is provided by contract.

The Department's administrative budget for 1974-75 is \$890,755 and provides forty-two authorized positions.

Unfunded liability exceeds one billion dollars and the City makes an annual contribution to fund this liability. In 1974, this contribution was approximately \$57 million of the total property tax allocation of \$89.5 million.

Revenue for pension purposes is derived mostly from taxes (76.4%), income and dividends (13.6%), member contributions (9.8%), and miscellaneous income (.2%).

Procedures were spot-checked, employees interviewed, and consultant reports reviewed. In general, our review indicated the Department to be well administered.

Introduction

As of June 30, 1975, membership in the system was 10,127, including 1,715 women and 7,312 men.

In addition, 1,715 women and 7,312 men are in the system, but are not members.

There are 1,715 women and 7,312 men in the system, but are not members. This is because of the way the system is set up. The system is set up so that only those who are members can be counted. This is why the number of members is 10,127, and the number of people in the system is 18,154.

The Department is not the exclusive provider of a social security benefit. It is one of the many agencies that provide such benefits. The Department is not the exclusive provider of a social security benefit.

Other agencies and services are provided by other agencies. The Department is not the exclusive provider of a social security benefit. It is one of the many agencies that provide such benefits.

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STATUS AND EVALUATION

Several types of pensions are administered by the Department of Pensions. No major problems were found in any procedure except for disability pensions.

After an applicant files for a disability pension, the Pension Department requests medical records from either the Police or Fire Department and the Worker's Compensation and Medical Services Divisions of the Personnel Department. The Department also requests information from any private doctor or hospital where the applicant has received treatment. Time taken to respond to requests is excessive and delays processing the disability claim. Such delay results in an individual receiving Injured on Duty (IOD) pay at 93 percent of regular salary, while if the claim were processed quicker, he would receive a smaller percentage as a disability pension. Also, in many instances, an individual exhausts his I.O.D. pay. In order to reduce overall City costs, Recommendation No. 1 is made.

In some cases, the Board awards a disability pension with a recommendation that an individual's file be reviewed at some later date. A backlog of cases exists that should have been reviewed beginning in January, 1974. A full-time employee has been assigned to process this backlog and to keep such cases current.

After an applicant has been examined by the required number of doctors, the entire medical file is reviewed by the Pension Claims Officer to determine whether the disability is service or non-service connected. If service connected, a staff recommendation on the percentage of disability to be granted is prepared for Board consideration. However, little expert medical advice is sought before making this recommendation. See Recommendation No. 2.

The Department's space is overcrowded and applicants and widows are interviewed in an aisle for lack of suitable quarters. See Recommendation No. 3.

The Pensions Department does not have a definition of what constitutes a disabled person for pension purposes. The Charter provides only a general definition and is not considered adequate for objective purposes. A definition, adopted by the Board, could have significant impact on the awarding of disability pensions. See Recommendation No. 4.

In order to provide a uniform approach to granting of disability pensions, the Board of Pension Commissioners should have

guidelines for use in its deliberations on the percentage of disability to be granted. Such a draft has been prepared and is undergoing review by staff prior to submission to the Board. See Recommendation No. 5.

Administration of the pension systems involves keeping extensive and detailed records. Considerable man-hours are expended in manually computing and posting various financial transactions that could be eliminated if such record keeping were automated. A complete review and simplification of recording procedures should be made and an automated system installed. See Recommendation No. 6.

Approximately 7,000 checks are mailed monthly. Mailing costs could be reduced and greater convenience provided to members if arrangements were made with banking institutions for direct deposit. See Recommendation No. 7.

RECOMMENDATIONS

It is recommended that the Board of Pension Commissioners instruct the Manager-Secretary to:

1. a. Assign one employee to go to each City agency and copy whatever medical records are required and to hand carry these records to the Pensions Department.
b. Consider contracting with a private firm to provide medical record copying service at doctors' offices and hospitals as required.
2. Establish a procedure to have expert medical advice available to staff to assist in determining whether the disability is service connected and, if so, the percentage of disability to be recommended.
3. Request the City Administrative Officer to study the space requirements of the Pensions Department and to request the Municipal Facilities Committee to provide sufficient space to satisfy its needs.
4. Prepare for Board consideration a definition of what constitutes a disabled person to assist the Board in making determinations on requests for disability pension.
5. Expedite the preparation of guidelines to be used by the Board to assist in its deliberations on requests for disability pension.
6. Prepare a request for proposal for competitive bids from computer service bureaus to review record keeping procedures and to establish an automated system.
7. Investigate the feasibility of direct deposit of retired members' checks to banking institutions.



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